IV

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1ST SESSION

H. CON. RES. 55

To express the sense of Congress regarding the use of a safety mechanism to link long-term Federal budget surplus reductions with actual budgetary outcomes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 7, 2001

Mrs. TAUSCHER (for herself, Mr. HOUGHTON, Mr. ROEMER, Mr. UPTON, Mr. KIND, Mr. CASTLE, Mr. DAVIS of Florida, Mr. GREENWOOD, Mr. FORD, Mr. MORAN of Virginia, Mr. ISRAEL, and Ms. SANCHEZ) submitted the following concurrent resolution; which was referred to the Committee on the Budget

CONCURRENT RESOLUTION

To express the sense of Congress regarding the use of a safety mechanism to link long-term Federal budget surplus reductions with actual budgetary outcomes.

Whereas the Congressional Budget Office (CBO) has projected that the Federal unified budget surplus over the 10-year period from fiscal year 2002 to fiscal year 2011 will total $5,600,000,000,000;

Whereas the projected Federal on-budget surplus over the same period of time is projected to be $3,100,000,000,000, which includes a surplus for the medicare program in the Federal Hospital Insurance (HI) Trust Fund of $400,000,000,000;

Whereas the projected surplus provides Congress with an opportunity to address a variety of pressing national needs, including Federal debt reduction, tax relief, and increased investment in the shared priorities of the American people, such as national defense, science, health, education, retirement security, and other areas;

Whereas although CBO projections properly serve as the basis for budgetary policies in the Congress, actual economic and fiscal outcomes may differ substantially from projections;

Whereas for example, as CBO indicates in its January 2001 budget update, if the future record is like the past, there is about a 50 percent chance that errors in the assumptions about economic and technical factors will cause CBO's projection of the annual surplus 5 years ahead to miss the actual outcome by more than 1.8 percent of the Gross Domestic Product, with a resulting difference in the surplus estimate of $245,000,000,000 in the fifth year alone;

Whereas where appropriate, long-term changes to tax and spending policy that are predicated on the existence of significant budget surpluses should be linked to actual fiscal performance, such as meeting specified debt reduction or on-budget surplus targets, to ensure the Federal Government does not incur on-budget deficits or increase the publicly-held debt;

Whereas during his testimony before the Senate Budget Committee on January 25, 2001, Federal Reserve Chairman Alan Greenspan stated, "In recognition of the uncertainties in the economic and budget outlook, it is important that any long-term tax plan, or spending initiative for that matter, be phased in. Conceivably, it could include provisions that, in some way, would limit surplus-reducing actions if specified targets for the budget surplus and Federal debt were not satisfied. Only if the probability was very low that prospective tax cuts or new outlay initiatives would send the on-budget accounts into deficit, would unconditional initiatives appear prudent'', and he reiterated this testimony before the Senate Banking Committee on February 13, 2001; and

Whereas in light of Chairman Greenspan's testimony and the uncertainty of surplus projections, while Members of Congress agree that the resources are available to address many pressing national needs in the 107th Congress, Congress should exercise great caution and not pass tax cuts or spending increases that are so large that they will necessitate future tax increases or significant spending cuts if anticipated budget surpluses fail to materialize: Now, therefore, be it

Resolved by the House of Representatives (the Senate concurring), That it is the sense of Congress that—

(1) with respect to any long-term, Federal surplus-reducing actions adopted by the 107th Congress pursuant to the Congressional Budget Office's projected surpluses, such actions shall include a legislative ''trigger'' or ''safety'' mechanism that links the phase-in of such actions to actual budgetary outcomes over the next 10 fiscal years;

(2) this legislative mechanism shall outline specific legislative or automatic action that shall be taken should specified levels of Federal debt reduc-

tion or on-budget surpluses not be realized, in order to maintain fiscal discipline and continue the reduction of our national debt;

(3) the legislative mechanism shall be applied prospectively and not repeal or cancel any previously enacted implemented portion of a surplus-reducing action;

(4) enactment of a ''trigger'' or ''safety'' mechanism shall not prevent Congress from passing other legislation affecting the level of Federal revenues or spending should future economic performance dictate such action; and

(5) this legislative mechanism will ensure fiscal discipline because it restrains both Government spending and tax cuts, by requiring that the budget is balanced and that specified debt reduction targets are met.

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